

BILL # SB 1010

TITLE: national guard compensation; tax subtraction

SPONSOR: Waring

STATUS: As Amended by Senate FIN

PREPARED BY: Jeremy Olsen

FISCAL ANALYSIS

Description

This bill allows members of the Arizona National Guard to subtract up to \$5,000 from their taxable income for any compensation, bonus, and allowance received during the year for service in the Guard. This bill becomes effective for taxable years after December 31, 2006.

Estimated Impact

Beginning in FY 2008, this bill is estimated to result in a loss of General Fund revenue of \$1.1 million annually. The Department of Emergency and Military Affairs (DEMA) does not have an estimate for this bill.

Analysis

The cost of this bill cannot be exactly determined due to a lack of data on the adjusted gross income for eligible members of the Guard. However, a potential outcome of the bill was estimated using a set of simplifying assumptions.

The current total number of Arizona National Guard members is approximately 7,200. This analysis assumes that Guard members would take the full \$5,000 subtraction from taxable income, based on an average compensation of \$6,500 for their service. The total annual income subtraction for all Guard members, therefore, would be \$36 million. Assuming an average marginal tax rate of 3%, this bill would reduce their total tax liability by \$1.1 million. The marginal rate of 3% reflects incomes between \$30,000 and \$40,000.

Local Government Impact

The Urban Revenue Sharing formula distributes 15% of income taxes collected 2 years prior to incorporated cities and towns. The bill, therefore, could reduce these distributions by approximately \$162,000 in FY 2010.

2/24/06